

Message Text

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12

ACTION EB-07

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INFO AMCONSUL DHAHRAN

USMISSION OECD PARIS

C O N F I D E N T I A L JIDDA 5272

E.O. 11652: GDS

TAGS: ENRG, SA, OPEC, US

SUBJECT: ARAMCO PRODUCTION RISING SHARPLY

1. DURING FAREWELL CALL BY ECONOMIC COUNSELOR JULY 24 BOARD CHAIRMAN FRANK JUNGERS NOTED THEIR SURPRISE THAT PRODUCTION REQUIREMENTS LAID ON ARAMCO BY PARENT COMPANIES HAD SUDDENLY RISEN SHARPLY IN PAST TEN DAYS. PARENTS WERE PREDICTING NEED FOR SEVEN MILLION BPD OF LIGHT ARABIAN ALONE DURING COMING FEW WEEKS. HE ATTRIBUTES SURGE IN PRODUCTION TO EARLIER SHARP DRAW-DOWN IN STOCKS WORLD-WIDE. HE DID NOT, RPT NOT, THINK SAUDIS WOULD ATTRIBUTE THIS ESCALATION IN DEMAND FOR SAUDI CRUDE TO ANY POSSIBLE PLOT BY CONSUMERS SEEKING TO REPLACE SMALLER AND MORE VULNERABLE OIL PRODUCERS WITH SUCH SAUDI PRODUCTION. (WE HAVE HEARD SUSPICIONS OF THIS FROM BOTH SAUDIS AND OTHER OPEC COUNTRY REPRESENTATIVES.

2. OTHER SUBJECTS OF INTEREST: PETROMIN'S GOVERNOR TAHER IS STILL VULNERABLE TO BEING REPLACED BECAUSE OF MANAGEMENT AND TECHNICAL PROBLEMS WITH RIYADH RE-
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FINERY AND IS BEING ATTACKED BY HISHAM NAZER GROUP

WITHIN SAG. JUNGERS BELIEVES, HOWEVER, THAT HE WILL SURVIVE, PARTLY BECAUSE OF HIS CLOSENESS TO YAMANI AND PARTLY BECAUSE OF LACK OF ANY ALTERNATIVE. HE DESCRIBED IDEA OF PUTTING PRINCE SAAD BIN FAYSAL, THE FORMER DEPUTY GOVERNOR, INTO THE POSITION OF GOVERNOR AS A REAL DISASTER IF IT HAPPENED. HE NOTED THERE WAS NOW NO "OIL PRINCE" FROM THE ROYAL FAMILY, PARTICULARLY SINCE PRINCE SA'UD HAD BECOME FOREIGN MINISTER. PETROMIN HAD TURNED TO ARAMCO ON BOTH THE GAS PRICING PROBLEM, WHICH HOLDS THE KEY TO THE INDUSTRIALIZATION EFFORT, AND THE RAW MATERIAL (MOSTLY SULFUR) PROBLEM FORM SOME OF THESE INDUSTRIES. ARAMCO WAS GOING TO SUGGEST A RELATIVELY LOW INCENTIVE PRICE FOR THE GAS AND URGE PETROMIN TO GO AHEAD WITH A FEW OF THE INDUSTRIES AS SOON AS POSSIBLE.

3. REGARDING RECENT PIW REPORT OF DETAILS ON ARAMCO SETTLEMENT, JUNGER CONFINED HIMSELF TO LACONIC COMMENT THAT THE REPORT WAS NOT ENTIRELY ACCURATE.
HORAN

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